

TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman
Deborah Taylor Tate, Director
Pat Miller, Director
Ron Jones, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

September 4, 2002

MEMORANDUM

To: Sharla Dillon
Dockets

From: Pat Murphy *PM*
Energy and Water Division

Subject: Request for Docket Number
Chattanooga Gas Company

DOCKET NO.

02-00928

Our division is currently auditing Chattanooga Gas Company's Incentive Plan Account for the plan year ended June 30, 2002. We, therefore, respectfully request that a docket number be assigned for this audit.

Upon assigning a docket number, please advise Betty Patton, so that appropriate files may be set up in our division. We appreciate your assistance in this matter.

cc: Dan McCormac

PM02-34.cgcipa



Chattanooga Gas Company

6125 Preservation Drive
Chattanooga, TN 37416
Telephone 1-800-427-5463

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ENERGY & WATER DIVISION
August 30, 2002

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TN REGULATORY AUTHORITY
DOCKET ROOM

Chairman Sara Kyle
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Dear Chairman Kyle,

Pursuant to the provisions of the Performance Based Ratemaking Mechanism approved by the Tennessee Regulatory Authority's January 8, 2002 Order in Docket 01-00619, Chattanooga Gas Company (CGC) is filing the annual report of actual gas cost and the applicable index cost for each month of the plan year ended June 30, 2002 (Attachment A). As shown on Attachment A, the commodity cost of gas purchased by CGC during the plan year was approximately 1.6% below the index cost and the commodity cost did not exceed the benchmark cost by more than 2% during any month.

During November 2001, CGC entered into a cost-less collar agreement that capped the price that would be paid for portion of gas requirements for December 2001-March 2002. Because the collar represents a financial instrument to hedge gas prices and not to physically deliver gas we have not included it in the commodity or index cost of gas as shown on Attachment A.

For Authority's convenience, spreadsheets showing the volumes of gas, the indices, and the purchase prices for each month and each day are provided as Attachments B & C respectively.

Should there be any questions, I will be pleased to discuss this filing in further detail with you.

Sincerely,

Archie L. Hickerson
Archie Hickerson
Manager-Rates

C: Mr. Dan McCormac
Mr. Earl Burton
Ms. Amanda Hwang
Mr. Hal Novak
Mr. Russell Perkins

Chattanooga Gas Company
Annual Performance Based Rate-making Mechanism Filing For Plan Year Ended June 30, 2002

Summary Sheet
Gas Cost Over (Under) Benchmark
July 1, 2001 through June 30, 2002

Tenn/Z1 (FERC-Nora)	Tenn/Z1 (FERC-Storage)	SONAT (Gas Daily)	Tenn500L (Gas Daily)	Tenn500L (Gas Daily - NORA)	SONAT (Gas Daily - City Gate)	Tenn500L (Gas Daily - City Gate)	Cost Over (Under) Benchmark \$%	Total \$%
\$ (693.47)							\$ (693.47)	-0.0502%
\$ (5,287.53)							\$ (5,287.53)	-0.3811%
\$ (10,477.88)							\$ (10,477.88)	-1.8803%
\$ (10,109.07)							\$ (69,384.27)	-4.6941%
\$ (15,692.43)							\$ (83,190.57)	-2.1769%
\$ (63,721.69)							\$ (54,424.93)	-2.1675%
\$ (12,463.08)							\$ (12,758.86)	-0.4437%
\$ (12,134.94)							\$ (12,135.99)	-0.7393%
\$ (14,836.05)							\$ 666.77	0.1165%
							\$ (14,221.93)	-2.3767%
							\$ 8.44	0.0015%
							\$ (24,324.21)	-2.9042%
\$ (145,416.15)	\$ (24,040.26)	\$ 15.84	\$ 776.61	\$ (8,001.07)	\$ (20,460.75)	\$ (97,766.16)	\$ (286,224.44)	-1.5705%
-5.0189%	-3.8231%	0.0013%	0.0416%	-1.9815%	-4.6232%	-6.2252%		

Total CGC Purchase Gas Cost: \$ 17,938,608.13
Total Benchmark Purchase Gas Cost: \$ 18,224,832.56